

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name New Buffalo Township	County Berrien
Fiscal Year End June 30, 2006	Opinion Date December 8, 2006	Date Audit Report Submitted to State December 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

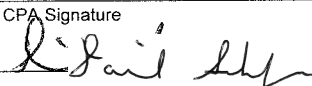
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Schaffer & Layher, PLLC		Telephone Number (269) 983-0131	
Street Address 805 Van Brunt Ave.		City St. Joseph	State MI
Zip 49085			
Authorizing CPA Signature 	Printed Name David Schaffer	License Number 1101019753	

NEW BUFFALO TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2006

NEW BUFFALO TOWNSHIP
New Buffalo, Michigan
June 30, 2006

TOWNSHIP BOARD

Agnes Conway

Rolland Oselka

Jack Rogers

Peter Rahm

Quincy White

Supervisor

Clerk

Treasurer

Trustee

Trustee

NEW BUFFALO TOWNSHIP
New Buffalo, Michigan
June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
New Buffalo Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township (the "Township"), as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of the New Buffalo Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and pages 34 to 35 are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Buffalo Township's basic financial statement. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statement. The combining and individual non-major fund financial statement has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in dark ink, appearing to read 'Schaffer & Layher'.

Schaffer & Layher
December 8, 2006

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of the
New Buffalo Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township, as of and for the year ended June 30, 2006, which collectively comprise the New Buffalo Township's basic financial statements and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Buffalo Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect New Buffalo Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows: New Buffalo Township lacks an appropriate segregation of duties with appropriate control objectives. We understand this is primarily due to financial constraints.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Buffalo Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of New Buffalo Township in a separate letter dated December 8, 2006.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schaffer & Layher
December 8, 2006

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net assets increased 4.6% from a year ago—increasing from \$9,396,638 to \$9,833,917. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$114,620 during the year, while the business-type activities experienced an increase in net assets of \$322,659.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of New Buffalo Township's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, building, and liquor.	Activities the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet >Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets >Statement of revenues, expenditures, and changes in fund balances. >Statement of cash flows	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

Government-wide Statements, Concluded

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities**—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.
- **Component units**—The Township includes one other entity in its report—the New Buffalo Township Library. Although legally separate, the “component unit” is important because the Township is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. ambulance monies).

The Township has the following three kinds of funds:

- ***Governmental Funds***—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ***Proprietary Funds***—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- ***Fiduciary Funds***—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis Of The Township As A Whole

The Township's combined net assets were \$9,833,917. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total June 30, 2006	June 30, 2005
Current Assets	\$ 887,249	\$ 4,857,445	\$ 5,744,694	\$ 4,970,855
Equity investment	-	3,825,650	3,825,650	3,804,879
Capital Assets	375,153	6,090,930	6,466,083	6,241,834
Total Assets	\$ 1,262,402	\$ 14,774,025	\$ 16,036,427	\$ 15,017,568
Long-term debt outstanding	\$ 2,500	\$ 6,021,411	\$ 6,023,911	\$ 5,422,073
Other liabilities	47,413	131,186	178,599	198,857
Total Liabilities	\$ 49,913	\$ 6,152,597	\$ 6,202,510	\$ 5,620,930
Net Assets				
Invested in capital assets, net of related debt	\$ 372,653	\$ 4,130,845	\$ 4,503,498	\$ 4,016,929
Unrestricted	839,836	4,490,583	5,330,419	5,379,709
Total Net Assets	\$ 1,212,489	\$ 8,621,428	\$ 9,833,917	\$ 9,396,638

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$114,620 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$839,836 or about 103% of expenditures. This is within the targeted range set by the Township Board during its last budget process.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total June 30, 2006	June 30, 2005
Program Revenues				
Charges for services	\$ 338,953	\$ 684,124	\$ 1,023,077	\$1,213,029
Operating Grants and Contributions	-	-	-	-
General Revenues				
Property Taxes	306,948	-	306,948	307,728
State Shared Revenues	140,010	-	140,010	136,460
Grant Income	-	89,030	89,030	250,970
Tap Fees - Infrastructure	-	268,586	268,586	437,589
Interest and Rentals	115,760	73,666	189,426	136,717
Miscellaneous	25,967	-	25,967	32,182
Special Items	-	20,771	20,771	17,406
Total Revenues	<u>\$ 927,638</u>	<u>\$ 1,136,177</u>	<u>\$ 2,063,815</u>	<u>\$2,532,081</u>
Program Expenses				
General Government	\$ 619,948	\$ -	\$ 619,948	\$ 588,252
Public Safety	173,078	-	173,078	204,880
Public Works	12,599	-	12,599	58,998
Recreation and Culture	7,227	-	7,227	1,401
Interest on Long-Term Debt	166	-	166	247
Water	-	334,420	334,420	223,298
Sewer	-	479,098	479,098	458,893
Total Expenses	<u>\$ 813,018</u>	<u>\$ 813,518</u>	<u>\$ 1,626,536</u>	<u>\$1,535,969</u>
Change in Net Assets	<u>\$ 114,620</u>	<u>\$ 322,659</u>	<u>\$ 437,279</u>	<u>\$ 996,112</u>

The Township's net assets continue to remain healthy. As a result, net assets grew by \$437,279. The primary reason for this increase was additional grants from the United States Department of Agriculture for watermain improvements and related tap-in fees on watermain projects.

Governmental Activities

The Township's total governmental revenues decreased by \$61,562 while expenses decreased by \$40,683 during the year. The revenue decrease was primarily the result of a decrease in the number of building permit fees. The expense decrease was due in large part to a decrease in public works expenditures. The prior year repair of a culvert on Maudlin Road cost significantly more than the current year Lakeside Road bridge work.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to the Township residents from the New Buffalo Township's water system and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2006, operating revenues decreased by \$407,188 due to an decrease in tap-in fees and the fact that in the prior year, the Township received a grant from the USDA. Expenses increased by \$131,893 largely due to increased interest and depreciation expenses.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2006 included the General Fund, Ambulance Fund and the Building Fund.

The General Fund pays for most of the Township's governmental services, including legislative, fire, cemetery, and other. The most significant is legislative and fire, which incurred expenses of approximately \$91,018 and \$66,642, respectively, in 2006. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year.

Capital Asset and Debt Administration

At the end of June 30, 2006, the Township had investment in capital assets for its governmental and business-type activities of \$6,466,083 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township chose not to retroactively report any other infrastructure assets, and will only report any additions prospectively in accordance with G.A.S.B. #34.

Long-Term Debt

At the end of the current fiscal year, the Township had total debt outstanding of \$6,023,911 (net of unamortized discounts). The Township's total debt increased due to the issuance of \$410,000 in bonds for sewer capital improvements and \$430,000 in bonds for construction on the Michigan City water project.

Economic Factors and Next Year's Budgets and Rates

The Township's anticipates revenue over expenditures in the governmental and business-type activity funds.

We also anticipate that the sewer rates will have to increase somewhat in fiscal 2007 due to increased capacity at the GRSD Sewer Authority and the associated construction costs. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2007 to discuss the need for such an increase.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

The financial report of the discretely presented component unit, New Buffalo Township Library, can be obtained directly from the management of the Library.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 711,217	\$ 1,504,511	\$ 2,215,728	\$ 514,002
Restricted Cash	-	428,402	428,402	-
Total Cash & Equivalents	\$ 711,217	\$ 1,932,913	\$ 2,644,130	\$ 514,002
Certificates of deposit > 90 days	20,366	548,418	568,784	-
Taxes Receivable	376	-	376	-
Special Assessment Receivable, net	-	2,300,120	2,300,120	-
Trade Receivables, net	-	5,360	5,360	-
Internal Balances	7,059	65,428	72,487	-
Due From Other Governments	20,902	5,206	26,108	-
Deposit on New Fire Truck	90,000	-	90,000	-
Prepaid Expenses	37,329	-	37,329	-
Equity Investment	-	3,825,650	3,825,650	-
Capital Assets, Net	375,153	6,090,930	6,466,083	295,265
Total Assets	<u>\$ 1,262,402</u>	<u>\$ 14,774,025</u>	<u>\$ 16,036,427</u>	<u>\$ 809,267</u>
Liabilities				
Accounts Payable	\$ 6,685	\$ 64,470	\$ 71,155	\$ -
Accrued and Other Liabilities	2,379	38,399	40,778	-
Internal Balances	38,349	28,317	66,666	-
Noncurrent Liabilities				
Due Within One Year	2,500	356,558	359,058	-
Due in More Than One Year	-	5,664,853	5,664,853	-
Total Liabilities	<u>\$ 49,913</u>	<u>\$ 6,152,597</u>	<u>\$ 6,202,510</u>	<u>\$ -</u>
Net Assets				
Invested in Capital Assets Net of Related Debt	\$ 372,653	\$ 4,130,845	\$ 4,503,498	\$ 295,265
Unrestricted	839,836	4,490,583	5,330,419	514,002
Total Net Assets	<u>\$ 1,212,489</u>	<u>\$ 8,621,428</u>	<u>\$ 9,833,917</u>	<u>\$ 809,267</u>

The notes to the financial statements are an integral part of these statements

NEW BUFFALO TOWNSHIP

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
<i>Governmental Activities</i>							
General Government	\$ 619,948	\$ 338,953	\$ -	\$ (280,995)		\$ (280,995)	
Public Safety	173,078	-	-	(173,078)		(173,078)	
Public Works	12,599	-	-	(12,599)		(12,599)	
Recreation and Culture	7,227	-	-	(7,227)		(7,227)	
Interest on Long-Term Debt	166	-	-	(166)		(166)	
Total Governmental Activities	<u>\$ 813,018</u>	<u>\$ 338,953</u>	<u>\$ -</u>	<u>\$ (474,065)</u>		<u>\$ (474,065)</u>	
<i>Business-Type Activities</i>							
Water	\$ 334,420	\$ 156,061	\$ -		\$ (178,359)	\$ (178,359)	
Sewer	479,098	528,063	-		48,965	48,965	
Total Business-Type Activities	<u>\$ 813,518</u>	<u>\$ 684,124</u>	<u>\$ -</u>		<u>\$ (129,394)</u>	<u>\$ (129,394)</u>	
Total Primary Government	<u>\$ 1,626,536</u>	<u>\$ 1,023,077</u>	<u>\$ -</u>	<u>\$ (474,065)</u>	<u>\$ (129,394)</u>	<u>\$ (603,459)</u>	
Component Units							
New Buffalo Township Library	<u>\$ 213,682</u>	<u>\$ 69,021</u>	<u>\$ -</u>				<u>\$ (144,661)</u>
General Revenues							
Property Taxes				\$ 306,948	\$ -	\$ 306,948	\$ 185,541
Grant Income				-	89,030	89,030	-
Tap Fees - Infrastructure				-	268,586	268,586	-
State Shared Revenues				140,010	-	140,010	5,659
Interest and Rentals				115,760	73,666	189,426	13,655
Miscellaneous				25,967	-	25,967	3,458
Special items- Income from Joint Venture				-	20,771	20,771	-
Total General Revenues and special items				<u>\$ 588,685</u>	<u>\$ 452,053</u>	<u>\$ 1,040,738</u>	<u>\$ 208,313</u>
Change in net assets				<u>\$ 114,620</u>	<u>\$ 322,659</u>	<u>\$ 437,279</u>	<u>\$ 63,652</u>
Net Assets-Beginning				1,097,869	8,298,769	9,396,638	745,615
Net Assets-Ending				<u>\$ 1,212,489</u>	<u>\$ 8,621,428</u>	<u>\$ 9,833,917</u>	<u>\$ 809,267</u>

The notes to the financial statements are an integral part of these statements

NEW BUFFALO TOWNSHIP
**GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006**

	General <u>Fund</u>	Ambulance <u>Fund</u>	Building <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 429,809	\$ 128,407	\$ 144,489	\$ 8,512	\$ 711,217
Certificate of deposits > 90 days	20,366	-	-	-	20,366
Taxes receivable	128	223	25	-	376
Special assessment receivable, net	-	-	-	-	-
Trade receivables, net	-	-	-	-	-
Due from other governmental units	20,902	-	-	-	20,902
Due from other governmental funds	4,222	-	-	277	4,499
Due from fiduciary funds	5,821	-	-	-	5,821
Due from proprietary funds	961	-	-	-	961
Deposit on new fire truck	90,000	-	-	-	90,000
Prepaid expenses	37,329	-	-	-	37,329
Total Assets	<u>\$ 609,538</u>	<u>\$ 128,630</u>	<u>\$ 144,514</u>	<u>\$ 8,789</u>	<u>\$ 891,471</u>
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 6,663	\$ 22	\$ -	\$ -	\$ 6,685
Other current liabilities	2,379	-	-	-	2,379
Deferred revenue	128	-	-	-	128
Due to other governmental funds	277	-	4,222	-	4,499
Due to proprietary funds	38,072	-	-	-	38,072
Total Liabilities	<u>\$ 47,519</u>	<u>\$ 22</u>	<u>\$ 4,222</u>	<u>\$ -</u>	<u>\$ 51,763</u>
Fund Balance					
Reserved					
Prepaid expenses	\$ 127,329	\$ -	\$ -	\$ -	\$ 127,329
Unreserved:					
Designated	76,782	-	-	-	76,782
Undesignated	357,908	128,608	140,292	8,789	635,597
Total Fund Equity	<u>\$ 562,019</u>	<u>\$ 128,608</u>	<u>\$ 140,292</u>	<u>\$ 8,789</u>	<u>\$ 839,708</u>
Total Liabilities and Fund Equity	<u>\$ 609,538</u>	<u>\$ 128,630</u>	<u>\$ 144,514</u>	<u>\$ 8,789</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds 375,153
- * Deferred revenues reported in the governmental funds are recognized as revenues for governmental funds 128
- * Long-term liabilities are not due and payable in the current period and are not reported in the funds. (2,500)

Net Assets of Governmental Activities \$ 1,212,489

The notes to the financial statements are an integral part of these statements

NEW BUFFALO TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
June 30, 2006**

	General <u>Fund</u>	Ambulance <u>Fund</u>	Building <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Taxes	\$ 169,571	\$ 137,735	\$ -	\$ -	\$ 307,306
Service and tax administrator fees	132,973	-	-	-	132,973
Licenses and Permits	3,019	-	-	-	3,019
State Grants	140,010	-	-	-	140,010
Charges for Services	16,461	-	186,500	-	202,961
Fines and Forfeits	644	-	75	-	719
Interest and Rentals	109,596	2,290	3,874	-	115,760
Other Revenues	20,302	-	101	4,845	25,248
Total Revenues	<u>\$ 592,576</u>	<u>\$ 140,025</u>	<u>\$ 190,550</u>	<u>\$ 4,845</u>	<u>\$ 927,996</u>
Expenditures					
Current					
General Government	\$ 369,268	\$ -	\$ 186,590	\$ 4,144	\$ 560,002
Public Safety	66,642	106,436	-	-	173,078
Public Works	12,599	-	-	-	12,599
Recreation and Culture	7,227	-	-	-	7,227
Debt Service	2,666	-	-	-	2,666
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>\$ 458,402</u>	<u>\$ 106,436</u>	<u>\$ 186,590</u>	<u>\$ 4,144</u>	<u>\$ 755,572</u>
Excess of Revenues Over Expenditures	<u>\$ 134,174</u>	<u>\$ 33,589</u>	<u>\$ 3,960</u>	<u>\$ 701</u>	<u>\$ 172,424</u>
Other Financing Sources(Uses)					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenue and Other Sources Over Expenditures and Other Uses	<u>\$ 134,174</u>	<u>\$ 33,589</u>	<u>\$ 3,960</u>	<u>\$ 701</u>	<u>\$ 172,424</u>
Fund Balance-July 1, 2005	427,845	95,019	136,332	8,088	
Fund Balance-June 30, 2006	<u>\$ 562,019</u>	<u>\$ 128,608</u>	<u>\$ 140,292</u>	<u>\$ 8,789</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	(59,946)
* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,500
* Revenues recorded in the statement of activities when they provide current financial resources are not reported in the funds	(358)
Change in Net Assets of Governmental Activities	<u>\$ 114,620</u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUND STATEMENT OF NET ASSETS
June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 695,658	\$ 808,853	\$ 1,504,511
Restricted Cash	428,402	-	428,402
Total Cash and Equivalents	\$ 1,124,060	\$ 808,853	\$ 1,932,913
Certificates of Deposit > 90 days	54,257	494,161	548,418
Special assessment receivables, net	1,583,723	716,397	2,300,120
Trade receivables, net	2,422	2,938	5,360
Due from other governmental funds	38,072	-	38,072
Due from other proprietary funds	-	27,356	27,356
Due from other governments	5,206	-	5,206
Total Current Assets	<u>\$ 2,807,740</u>	<u>\$ 2,049,705</u>	<u>\$ 4,857,445</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 3,825,650	\$ 3,825,650
Capital Assets	3,588,040	2,502,890	6,090,930
Total Noncurrent Assets	<u>\$ 3,588,040</u>	<u>\$ 6,328,540</u>	<u>\$ 9,916,580</u>
Total Assets	<u>\$ 6,395,780</u>	<u>\$ 8,378,245</u>	<u>\$ 14,774,025</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 6,423	\$ 58,047	\$ 64,470
Accrued Interest	23,744	14,655	38,399
Due to other governmental funds	-	961	961
Due to other proprietary funds	27,356	-	27,356
Current portion of noncurrent liabilities	218,187	138,371	356,558
Total Current Liabilities	<u>\$ 275,710</u>	<u>\$ 212,034</u>	<u>\$ 487,744</u>
Noncurrent Liabilities			
Bonds payable	<u>1,977,812</u>	<u>3,687,041</u>	<u>5,664,853</u>
Total Liabilities	<u>\$ 2,253,522</u>	<u>\$ 3,899,075</u>	<u>\$ 6,152,597</u>
Net Assets			
Invested in Capital Assets-Net of related debt	\$ 2,799,515	\$ 1,331,330	\$ 4,130,845
Unrestricted	1,342,743	3,147,840	4,490,583
Total Net Assets	<u><u>\$ 4,142,258</u></u>	<u><u>\$ 4,479,170</u></u>	<u><u>\$ 8,621,428</u></u>

The notes to the financial statements are an integral part of these statements

NEW BUFFALO TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
June 30, 2006**

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating Revenues			
Water Sales	\$ 23,766	\$ -	\$ 23,766
Sewage Disposal Services	-	353,553	353,553
Penalties and Interest Charges	82,382	63,119	145,501
Installation and Other Miscellaneous Charges	49,913	111,391	161,304
Total Operating Revenues	<u>\$ 156,061</u>	<u>\$ 528,063</u>	<u>\$ 684,124</u>
Operating Expenses			
Personal Services	\$ -	\$ 142	\$ 142
Contractual Services	20,000	110,839	130,839
Repairs and Maintenance	3,169	32,520	35,689
Other Supplies and Expenses	68,018	24,833	92,851
Depreciation	149,906	140,631	290,537
Total Operating Expenses	<u>\$ 241,093</u>	<u>\$ 308,965</u>	<u>\$ 550,058</u>
Operating Income (Loss)	<u>\$ (85,032)</u>	<u>\$ 219,098</u>	<u>\$ 134,066</u>
Nonoperating Revenues(Expenses)			
Grant Income - Federal	\$ 89,030	\$ -	\$ 89,030
Tap Fees - Infrastructure	268,586	-	268,586
Interest and Investment Revenue	37,919	35,747	73,666
Gain (Loss) from Joint Venture	-	20,771	20,771
Interest Expense	(92,543)	(158,921)	(251,464)
Miscellaneous	(784)	(11,212)	(11,996)
Total Nonoperating Revenues(Expenses)	<u>\$ 302,208</u>	<u>\$ (113,615)</u>	<u>\$ 188,593</u>
Income Before Contributions and Transfers In(Out)	\$ 217,176	\$ 105,483	\$ 322,659
Capital Contributions	-	-	-
Transfers In(Out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	\$ 217,176	\$ 105,483	\$ 322,659
Total Net Assets-Beginning	<u>3,925,082</u>	<u>4,373,687</u>	<u>8,298,769</u>
Total Nets Assets-Ending	<u><u>\$ 4,142,258</u></u>	<u><u>\$ 4,479,170</u></u>	<u><u>\$ 8,621,428</u></u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUND STATEMENT OF CASH FLOWS
June 30, 2006

	Proprietary Funds
Cash Flows From Operating Activities	
Receipts from Customers	\$ 683,437
Payments to Suppliers	(217,389)
Payments to Employees	(142)
Internal Activity-Payments to Other Funds	-
Other Receipts (Payments)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 465,906</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating grants received	<u>\$ 89,030</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from Capital Debt	\$ 840,000
Purchases of Capital Assets	(574,732)
Principal paid on Capital Debt	(241,000)
Interest paid on Capital Debt	(251,464)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (227,196)</u>
Cash Flow From Investing Activities	
Interest and Dividends	\$ 73,666
Other Receipts (Payments)	228,338
Net Cash Provided (Used) by Investing Activities	<u>\$ 302,004</u>
Net Increase in Cash and Cash Equivalents	\$ 629,744
Cash and Cash Equivalents-Beginning	<u>1,303,169</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 1,932,913</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 134,066
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	290,537
(Gain)/Loss from Joint Venture	-
Change in Assets and Liabilities	
Trade receivables, net	100
Due from other governmental funds	-
Due from other governments	(787)
Interest receivable	-
Accounts Payable	41,990
Accrued Interest	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 465,906</u></u>
Non-cash disclosure of Capital and Related Financing and Investing Activities	
Acquisition of capital assets with debt proceeds	<u><u>\$ 387,853</u></u>

The notes to the financial statements are an integral part of these statements

FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
June 30, 2006

	Agency Funds		
	Property Tax Collection Fund	Trust & Agency Fund	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 5,481	\$ 17,723	\$ 23,204
Due from other governmental funds	-	-	-
Due from other governmental units	37		37
Total Assets	<u>\$ 5,518</u>	<u>\$ 17,723</u>	<u>\$ 23,241</u>
Liabilities			
Due to other governmental funds:			
General Fund	\$ 5,518	\$ 302	\$ 5,821
Special Revenue Funds	-	-	-
Due to other governmental units	-	3,441	3,441
Other Accruals	-	13,980	13,979
Total Liabilities	<u>\$ 5,518</u>	<u>\$ 17,723</u>	<u>\$ 23,241</u>

The notes to the financial statements are an integral part of these statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the New Buffalo Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at June 30, 2006.

Discretely Presented Component Units—The following component units are reported within the “component units” column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete.

New Buffalo Township Library (the “Library”)—The Library, which was established under P.A. 164 of 1877 as amended, is governed by a five member board selected by public ballot. Monies received are deposited in the local unit treasury to the credit of the Library Fund. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of December 31, 2005, may be obtained directly from the Library at the following address:

New Buffalo Township Library
33 North Thompson
New Buffalo, MI 49117

Jointly Governed Organization—The Township has the following joint ventures:

Cemetery Board—The Township, in conjunction with the City of New Buffalo (the “City”), has entered into an agreement which created a joint Cemetery Board (the “Board”) for the operation, care, and control of certain lands jointly used for the Pine Grove Cemetery.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**A. REPORTING ENTITY**

Cemetery Board (concluded)-The Board is comprised of five (5) members; two (2) appointed by the City's Council and two (2) by the Township's Board and the last member, the Chairperson, appointed by the other four (4) members from the elector-at-large. The Township provides, by appropriation, 50% of the total amount requested by the Board for operating the Pine Grove Cemetery. The Township's contribution for 2006 was \$24,000. The budget is submitted annually by the Board and approved by the City and Township.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Cemetery Board are not included within the body of the financial statements of the Township. Financial statements are available from the Board, with the following audited summary financial information on the Board as of June 30, 2003 (June 30, 2006, 2005 and 2004 was unavailable).

Total Assets	\$ 6,331
Total Liabilities	452
Total Net Assets	5,879
Total Revenues	48,443
Total Expenditures	58,638
Decrease in Net Assets	(10,195)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes

NOTE 1.**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, concluded**

and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The

NOTE 1.**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued.**

Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Township totaled \$378.5 million, on which ad valorem taxes levied which consisted of .4462 mills for the Township's operating purposes and .3639 mills for ambulance services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable—current or as tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for taxes levied and related expenditures used for ambulance service in the Township.

The Building Fund accounts for revenues generated (i.e. building, electrical and mechanical permit fees) and related expenses related to the inspection and monitoring of building activity in the Township.

The Township reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Assets or Equity, continued

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township’s policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Liabilities, and Net Assets or Equity, concluded

bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing July 1st and public hearing are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

were in excess of the amounts appropriated as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government-Assessing Equalization	\$ 42,000	\$ 43,099	\$ (1,099)
General Government-Clerk	43,820	44,406	(586)
General Government-Cemetery	24,000	24,021	(21)
General Government-Planning Commission	5,800	6,813	(1,013)
Debt Service	-	2,666	(2,666)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2006, the Township's deposits and investments were reported in the basic financial statements in the following categories:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents	\$ 711,217	\$ 1,932,913	\$ 2,644,130	\$ 23,204	\$ 514,002
Certificate of deposits > 90 days	20,366	548,418	568,784	-	-
Total	<u>\$ 731,583</u>	<u>\$ 2,481,331</u>	<u>\$ 3,212,914</u>	<u>\$ 23,204</u>	<u>\$ 514,002</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts, C/D's)	\$ 2,643,430	\$ 23,204	\$ 514,002
Certificate of Deposits > 90 days	568,784	-	-
Petty Cash and Cash on Hand	700	-	-
	<u>\$ 3,212,914</u>	<u>\$ 23,204</u>	<u>\$ 514,002</u>

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2006, \$2,940,293 of the Township's bank balance of \$3,321,390 was exposed to custodial credit risk because it was uninsured and collateralized with

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

securities held by the pledging financial institution's trust department or agent, but not in the Township's name. With regard to New Buffalo Township Library, a component unit of the Township, \$199,783 of the Library's bank balance of \$513,752 was exposed to custodial credit risk because it was uninsured.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the Township had no investment.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2006 the Township had no investment.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of June 30, 2006 the Township had no investment.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Water and <u>Sewer</u>	Other-Major <u>Funds</u>	<u>Total</u>
Taxes Receivable	\$ 128	\$ -	\$ 248	\$ 376
Accounts	-	5,360	-	5,360
Special Assessments	-	2,300,120	-	2,300,120
Intergovernmental	20,902	32,562	-	53,464
Less: Allowance for Uncollectible	-	-	-	-
Net Receivables	<u>\$ 21,030</u>	<u>\$ 2,338,042</u>	<u>\$ 248</u>	<u>\$ 2,359,320</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 44,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,674</u>
Capital assets being depreciated				
Land improvements	\$ 96,469	\$ -	\$ -	\$ 96,469
Building improvements	253,031	-	-	253,031
Equipment	624,761	-	-	624,761
Subtotal	<u>\$ 974,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,261</u>
Less: Accumulated Depreciation	<u>(583,836)</u>	<u>(59,946)</u>	<u>-</u>	<u>(643,782)</u>
Net Capital Assets Being Depreciated	<u>\$ 390,425</u>	<u>\$ (59,946)</u>	<u>\$ -</u>	<u>\$ 330,479</u>
Governmental activities capital total				
capital assets-net of depreciation	<u><u>\$ 435,099</u></u>	<u><u>\$ (59,946)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 375,153</u></u>

Depreciation expense was charged to programs of the primary government as follows:
Governmental Activities;

General Governments	\$59,946
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NOTE 5. CAPITAL ASSETS, CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 4,354	\$ -	\$ -	\$ 4,354
Construction in progress	927,163	-	(927,163)	-
	<u>\$ 931,517</u>	<u>\$ -</u>	<u>\$ (927,163)</u>	<u>\$ 4,354</u>
Capital assets being depreciated				
Infrastructure	\$8,273,362	\$1,501,895	\$ -	\$9,775,257
Equipment	24,602	-	-	24,602
Subtotal	<u>\$8,297,964</u>	<u>\$1,501,895</u>	<u>\$ -</u>	<u>\$9,799,859</u>
Less: Accumulated Depreciation	<u>(3,422,746)</u>	<u>(290,537)</u>	<u>-</u>	<u>(3,713,283)</u>
Net capital assets being depreciated	<u>\$4,875,218</u>	<u>\$1,211,358</u>	<u>\$ -</u>	<u>\$6,086,576</u>
Business-Type Activities capital total				
capital assets-net of depreciation	<u><u>\$5,806,735</u></u>	<u><u>\$1,211,358</u></u>	<u><u>\$ (927,163)</u></u>	<u><u>\$6,090,930</u></u>

Depreciation was charged to programs for the business-type activities as follows:

Water	\$ 149,906
Sewer	140,631
	<u><u>\$ 290,537</u></u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Component Unit Activities</i>				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	\$ 208,814	\$ -	\$ -	\$ 208,814
Furniture and fixtures	170,989	6,937	(8,936)	168,990
Office and library equipment	396,519	29,013	-	425,532
Subtotal	<u>\$ 776,322</u>	<u>\$ 35,950</u>	<u>\$ (8,936)</u>	<u>\$ 803,336</u>
Less: Accumulated Depreciation	<u>(476,427)</u>	<u>(45,200)</u>	<u>8,556</u>	<u>(513,071)</u>
Net capital assets being depreciated	<u>\$ 299,895</u>	<u>\$ (9,250)</u>	<u>\$ (380)</u>	<u>\$ 290,265</u>
Component Unit Activities capital total				
capital assets-net of depreciation	<u><u>\$ 304,895</u></u>	<u><u>\$ (9,250)</u></u>	<u><u>\$ (380)</u></u>	<u><u>\$ 295,265</u></u>

Construction Commitments—The government has one watermain extension in the planning stage at June 30, 2006. The Michigan City water project was started in the first quarter of fiscal year 2007.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
General	Building	\$ 4,222
	Property Tax Collection	5,519
	Trust & Agency	302
	Sewer	961
Liquor	General	277
Water	General	38,072
Sewer	Water	27,356
Total		<u><u>\$ 76,709</u></u>

NOTE 7. DESIGNATED NET ASSETS

The Township had the following designated net assets:

Governmental Activities:

Fire Reserve	\$ 56,416
Park I-Water	6,096
Park II-Equipment	1,860
Park III-Land	12,410
	<u><u>\$ 76,782</u></u>

NOTE 8. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Note Payable						
2003 Skate Park-Recreation & Culture	3.30%	11/1/2006	<u>\$ 5,000</u>	<u>\$ (2,500)</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

Interest expense was charged to programs of the primary government in governmental activities in recreation and culture for \$166.

Business-Type Activities*Revenue Bonds*

1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	112,000	(9,600)	102,400	9,600
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	96,600	(9,200)	87,400	9,200
1999 Special Assessment Bond	4.29 to 5.50%	3/1/2013	455,000	(100,000)	355,000	100,000
2000 Special Assessment Bond	4.75 to 5.40%	3/1/2015	540,000	(55,000)	485,000	60,000
2004 Special Assessment Bond, Series A-Federal loan	4.25%	9/1/2044	404,000	(500)	403,500	5,000
2004 Special Assessment Bond, Series B-Federal loan	4.75%	9/1/2044	80,000	(500)	79,500	1,000
2005 Capital Improvement Bonds	2.50 to 4.65%	3/1/2020	280,000	(15,000)	265,000	15,000
2006 General Obligation Limited Tax Bonds, Series A	4.20%	5/1/2021	-	430,000	430,000	20,000
Unamortized Discounts			<u>(13,414)</u>	<u>1,613</u>	<u>(11,801)</u>	<u>(1,613)</u>
Subtotal Water Fund			<u>\$1,954,186</u>	<u>\$ 241,813</u>	<u>\$ 2,195,999</u>	<u>\$ 218,187</u>

NOTE 8. LONG TERM DEBT, CONCLUDED

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>						
2003 GRSD Sewer Authority Bonds	2.00 to 4.70%	6/30/2029	\$3,197,168	\$ -	\$ 3,197,168	\$ 90,896
<i>Revenue Bonds</i>						
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	238,000	(20,400)	217,600	20,400
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	113,400	(10,800)	102,600	10,800
2005 General Obligation Limited Tax Bonds, Series B	3.30 to 4.60%	5/1/2021	-	390,000	390,000	20,000
Unamortized Discounts			(85,681)	3,725	(81,956)	(3,725)
Subtotal Sewer Fund			<u>\$3,462,887</u>	<u>\$ 362,525</u>	<u>\$ 3,825,412</u>	<u>\$ 138,371</u>
Total Business-Type Activities			<u>\$5,417,073</u>	<u>\$ 604,338</u>	<u>\$ 6,021,411</u>	<u>\$ 356,558</u>

Interest expense was charged to programs for the business-type activities as follow:

Water	\$ 92,543
Sewer	158,921
	<u>\$ 251,464</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	2,500	84	356,558	197,373
2008	-	-	353,534	195,232
2009	-	-	367,486	190,166
2010	-	-	284,462	182,317
2011	-	-	293,414	176,451
2012-2016	-	-	1,395,166	770,571
2017-2021	-	-	1,257,533	572,862
2022-2026	-	-	884,079	318,532
2027-2031	-	-	660,936	105,755
2032-2036	-	-	74,000	47,638
2037-2041	-	-	97,000	28,478
2042-2045	-	-	91,000	6,205
Unamortized Discount	-	-	(93,757)	-
Total	<u>\$ 2,500</u>	<u>\$ 84</u>	<u>\$ 6,021,411</u>	<u>\$2,791,580</u>

NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)

The Township participates with Chikaming and Lake Charter Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	<u>100.00%</u>

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2005, with a report thereto dated May 5, 2006:

Assets	\$ 15,414,413
Liabilities	149,112
Net Assets	15,265,301
Operating Revenues	1,396,834
Operating Expenses	1,373,140
Nonoperating Revenues	101,434
Net Earnings	125,128

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$3,825,650 as of December 31, 2005.

NOTE 10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits, and complaints arising in the ordinary course of business have been filed, appealed, or are pending against the Township.

In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 12. LEASES

Operating Leases—The Township leases a postage meter under a non-cancelable operating leases. Total costs for such leases were \$1,166 in the current year. The future minimum lease payments for these leases are as follows

6/30/2007	\$	1,272
6/30/2008		1,272
6/30/2009		1,272
6/30/2010		1,272
6/30/2011		106
	\$	<u>5,194</u>

REQUIRED SUPPLEMENTAL INFORMATION

NEW BUFFALO TOWNSHIP
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 427,845	\$ 427,845	\$ 427,845	
Resources(Inflows)				
Taxes	\$ 169,500	\$ 169,500	\$ 169,571	\$ 71
Service and tax administrator fees	122,500	132,500	132,973	473
Licenses and Permits	137	137	3,019	2,882
State Grants	115,000	140,000	140,010	10
Charges for Services	12,650	12,650	16,461	3,811
Fines and Forfeits	100	100	644	544
Interest and Rentals	50,000	70,000	109,596	39,596
Other Revenues	56,160	64,113	20,302	(43,811)
Operating Transfer In	-	-	-	-
Amounts Available for Appropriation	\$ 526,047	\$ 589,000	\$ 592,576	
Charges to Appropriations(Outflows)				
General Government				
Legislative	\$ 96,100	\$ 96,100	\$ 91,018	\$ 5,082
Supervisor	16,500	16,500	16,405	95
Elections	5,000	5,000	1,605	3,395
Assessing Equalization	38,697	42,000	43,099	(1,099)
Clerk	43,820	43,820	44,406	(586)
Board of Review	1,350	1,350	1,162	188
Treasurer	55,520	55,520	54,877	643
Building and grounds	26,400	26,400	22,955	3,445
Cemetery	24,000	24,000	24,021	(21)
Planning Commission	5,800	5,800	6,813	(1,013)
Zoning Board	55,500	59,300	56,300	3,000
All other general government	10,550	12,500	6,607	5,893
Public Safety				
Fire	105,700	195,700	66,642	129,058
Public Works				
Public works, streets, highways, and lights	31,200	61,000	12,599	48,401
Recreation and Culture				
Parks and recreation	4,977	8,000	7,227	773
Debt Service	-	-	2,666	(2,666)
Total Charges to Appropriations	\$ 521,114	\$ 652,990	\$ 458,402	
Budgetary Fund Balance-June 30, 2006	\$ 432,778	\$ 363,855	\$ 562,019	

NEW BUFFALO TOWNSHIP**BUDGETARY COMPARISON SCHEDULES-AMBULANCE AND BUILDING FUNDS****June 30, 2006****Ambulance Fund**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 95,019	\$ 95,019	\$ 95,019	
Resources(Inflows)				
Taxes	\$ 138,286	\$ 138,286	\$ 137,735	\$ (551)
Interest & Rentals	250	250	2,290	2,040
Amounts Available for Appropriation	<u>\$ 138,536</u>	<u>\$ 138,536</u>	<u>\$ 140,025</u>	
Charges to Appropriations(Outflows)				
Public Safety	\$ 108,800	\$ 108,800	\$ 106,436	2,364
Total Charges to Appropriations	<u>\$ 108,800</u>	<u>\$ 108,800</u>	<u>\$ 106,436</u>	
Budgetary Fund Balance-June 30, 2006	<u><u>\$ 124,755</u></u>	<u><u>\$ 124,755</u></u>	<u><u>\$ 128,608</u></u>	

Building Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 136,332	\$ 136,332	\$ 136,332	
Resources(Inflows)				
Charges for Services	\$ 244,500	\$ 244,500	\$ 186,500	\$ (58,000)
Fines and Forfeits	-	-	75	75
Interest and Rentals	1,000	1,000	3,874	2,874
Other Revenues	-	-	101	101
Amounts Available for Appropriation	<u>\$ 245,500</u>	<u>\$ 245,500</u>	<u>\$ 190,550</u>	
Charges to Appropriations(Outflows)				
General Government	\$ 204,007	\$ 204,007	\$ 186,590	\$ 17,417
Total Charges to Appropriations	<u>\$ 204,007</u>	<u>\$ 204,007</u>	<u>\$ 186,590</u>	
Transfers In/(Out)				
Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Budgetary Fund Balance-June 30, 2006	<u><u>\$ 177,825</u></u>	<u><u>\$ 177,825</u></u>	<u><u>\$ 140,292</u></u>	

OTHER SUPPLEMENTAL INFORMATION

NEW BUFFALO TOWNSHIP**BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUND
June 30, 2006**

	<u>Liquor Fund</u>
Assets	
Cash and Cash Equivalents	\$ 8,512
Taxes Receivable	-
Accounts Receivable	-
Due from other governmental funds	277
Due from Fiduciary Funds	-
Total Assets	<u><u>\$ 8,789</u></u>
 Liabilities and Fund Equity	
Liabilities	
Accounts Payable	\$ -
Due to other governmental funds	-
Total Liabilities	<u><u>\$ -</u></u>
 Fund Balance	
Reserved	\$ -
Unreserved:	
Designated	-
Undesignated	8,789
Total Fund Equity	<u><u>\$ 8,789</u></u>
 Total Liabilities and Fund Equity	<u><u>\$ 8,789</u></u>

NEW BUFFALO TOWNSHIP**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUND
June 30, 2006**

	Liquor Fund
Revenues	
Taxes and Penalties	\$ -
Charges for Services	-
Interest and Rentals	-
Other Revenues	4,845
Total Revenues	<u>\$ 4,845</u>
Expenditures	
Current	
General Government	\$ 4,144
Public Safety	-
Capital Outlay	-
Total Expenditures	<u>\$ 4,144</u>
Excess of Revenues Over Expenditures	<u>\$ 701</u>
Other Financing Sources(Uses)	
Operating Transfers In	\$ -
Operating Transfers Out	-
Total Other Financing Sources(Uses)	<u>\$ -</u>
Excess of Revenue and Other Sources Over(Under) Expenditures and Other Uses	\$ 701
Fund Balance-July 1, 2005	8,088
Fund Balance-June 30, 2006	<u><u>\$ 8,789</u></u>



December 8, 2006

To the Township Board of
New Buffalo Township
New Buffalo, MI

In planning and performing our audit of the financial statement of New Buffalo Township ("Township") for the year ended June 30, 2006, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

**REVIEW GOVERNMENT ACCOUNTING STANDARD BOARD ("GASB") STATEMENT #40-
DEPOSIT AND INVESTMENT RISK DISCLOSURES.**

Effective June 30, 2006, governmental entities are required to expand their current disclosure requirements addressing common risks of deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by the investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should also be part of the disclosure.

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk for each area is quantified.

PRIOR YEAR RECOMMENDATION

The prior year recommendation for the Township to adopt a capitalization policy for assets greater than \$5,000 with an estimated life of greater than one year was adopted.

The report is intended solely for the information and use of New Buffalo Township management, and others within the Township, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
St. Joseph, MI

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA